

The Billion-Dollar Secret of Red China Trade

BY JOHN MITCHELL HENSHAW

DR. HENRY A. KISSINGER'S spectacular dash to Peking and President Nixon's announcement that he was going to Red China next spring created great expectations among American high-pressure promoters and predatory businessmen.

The big bonanza is going to come when they can get their heads under the tent of a tax free shelter provided in the China Trade Act of 1922. (U.S. Code 141 et S). The law provides total tax exemption for firms doing business with Mainland China as originally enacted in 1921 at the behest of Herbert C. Hoover, Secretary of Commerce, who had made his fortune by wise investments in the Orient while working as a mining engineer.

Due to the 20-year embargo on Red China this tax exemption is not presently applicable to Mainland China but Mr. Nixon reportedly will soon lift the restrictions. As soon as the ban is lifted about 60 U.S. firms will be granted tax exempt charters by the Department of Commerce to engage in trade with Red China. Oh, pardon me! Since Dr. Kissinger's Peking mission, the term Red China is taboo; it is now referred to as the "People's Republic of China." And is not to be confused with the "Republic of China" located on the island of Taiwan ruled by Chiang Kai-shek.

Black Market

Before President Nixon started revoking curbs with mainland China, there was a thriving black market trade

with the Chinese Communists. American multinational corporations carry on an under-the-table business with Communist Chinese via devious transshipments through its European and Canadian contacts. Transshipments used to be considered a felony and violators were vigorously prosecuted. Not now. Presently some of our most respectable corporations are engaged in the transshipment traffic with Red China, including General Motors, Monsanto, American Optical, Sperry Rand and Cummins Engines.

Monsanto has sold Red China through subsidiaries abroad over \$1,750,000 worth of chemicals including base materials for aspirin and for rubber compounding. Monsanto is now openly pushing its China sales campaign.

A year ago, General Motors sold 80 truck engines to the Roberto Perlini Co. of Italy which exported the engines to Red China in Perlini dump trucks. Since then General Motors has sold earth movers to a Chinese construction group building a highway in Tanzania. This transaction was licensed by the Commerce Department because the Chinese Communists were helping the new Negro republic. The Communist regime in Peking is making every effort to boost its influence in Negro nations of Africa.

American Optical, via its Reichert Division in Vienna, has shipped vast quantities of microscopes and other laboratory equipment to Red China. Sperry Rand and several other smaller American firms sold parts for British

Trident aircraft sold by way of Pakistan to Peking. And Cummins Engines has sold diesels installed in Japanese bulldozers shipped to Mainland China. Most of the American sub rosa deals have been one-way. But Hercules, the chemical company, bought \$5 million in resin from China via its foreign subsidiaries.

Now that President Nixon has removed all controls on imports from Red China, our stalwart American capitalists will not have to resort to clandestine ploys in making a fast buck with the Chinese Reds — who would like to cut their throats. Long before Comrade Mao came to power, the Chinese called Occidental traders the “long, hooked-nosed devils.”

Now the French truck manufacturer, Berliet, has been authorized to use diesel engines produced by General Motors Corp., in dump trucks intended for delivery to Mainland China. This transaction has the blessings of the White House. The Continental Grain Co., New York, hailed as “heartening news” the President’s decision to stop requiring Commerce Department permission for wheat, flour and other grain sales to Communist bloc countries. Western lumbermen look forward to lucrative wood product sales to the mainland.

The U.S. still bans sales to Red China of goods deemed “strategic” though there is considerable argument over just what is strategic.

Black Gold

Are petroleum and oil byproducts strategic? Certainly the motorized military vehicles used in the Vietnam War are powered by oil. Oil is sometimes called “Black Gold.”

And the tentacles of the international cartel octopus have a global reach that controls this Black Gold. While it is not much publicized, the Red Chinese have discovered a vast oil pool on the border of outer Mongolia, but development

has been stymied due to lack of technology and equipment. The U.S. has sold oil technology to Communist Poland, who have used American know-how to produce jet aviation fuel. And the Universal Oil Products of Chicago, who had the inside track in selling oil technology to the Soviet Bloc countries, wants to do the same in Red China.

There is one U.S. firm that is not waiting to get in the oil business with the mainland Chinese. Long before Dr. Kissinger opened the China Door, the American Engineers, and its Singapore affiliate, Foreign Engineers and Constructors, Ltd., were negotiating the sale of American offshore oil rigs to the Chinese, ostensibly in preparation for entry into East Asia’s offshore oil rush. John Musgrove and William Leong, managing directors of this oil-drilling combine, spent five weeks in Peking before Kissinger arrived.

Even without Commerce Department approval, the enterprising American promoters closed a deal with Communists. The contracts call for the Americans to provide “swamp barge” type oil rigs to China. This contract was signed two months before the U.S. ban on trade with China had been formally lifted. Plans call for construction of drilling machinery and other sophisticated apparatus in the U.S., which will be mounted on barges to be constructed in Singapore shipyards, each rig will cost \$4.5 million and will be operated with an American crew of 60 technicians.

The sale of oil technology and oil drilling equipment to Red China has not been decontrolled, but the promoters say they have tacit assurance from “topside.” Some of the sites where drilling will start will be around the disputed Senkaku Island, where oil has been found, and is claimed by Red China, Japan and Taiwan.

Our government is tacitly condoning the sale of the rigs to the Reds for drilling operations in the disputed area. This is analogous to the way Commerce De-

partment officials winked at the sales of sewing machines, brake parts for locomotives, parts for copying machines, chemicals for pesticides and many other products during the trade ban. Even the most strategic commodities produced by foreign-based subsidiaries of American firms are not subject to embargo. Thus an American firm could conceivably sell to the Red Chinese machine guns and munitions manufactured in one of its foreign factories.

The Department of Commerce refuses to divulge the names of firms it has licensed to do business with Red China, nor will the Department reveal the names of firms that are to receive tax-exempt charters under the China Trade Act of 1922. And the Red Chinese are even more secretive about their deals with American traders. The Communists pretend they have no direct trade relations with the U.S. firms but deal only through European and Asian businessmen.

Red China maintains trading offices in Hong Kong where a vast volume of Chinese merchandise is sold in the free world market without strings; the extent of these backdoor deals is not known. But the Fuller Brush Co., has long been buying pig bristles in Hong Kong for shipment to its Canadian factory. American buyers have long been buying Chinese ivory, human hair, painting and scrolls, handicraft and embroidery for shipment to the U.S. R. G. Macy Co. and May Department Stores, who operate a joint purchasing agency in Hong Kong, are eager to increase their purchases from Red China.

Mao's Pressure

Red Chinese traders have told American traders that despite President Nixon's relaxation of U.S. import controls over Chinese products, Party Chairman Mao Tse-Tung will not permit large-scale trading until the U.S. removes its Naval and ground force protecting Formosa. Red China will launch an attack

against Taiwan as soon as U.S. Forces are withdrawn, according to intelligence sources.

Nobody knows Nixon's ultimate intentions toward Taiwan — except Dr. Kissinger. Kissinger has told newsmen in "off-the-record backgrounders" that he is playing Moscow and Peking against each other. It is now known that Kissinger has been communicating privately for over a year with the leaders of the two great Communist world powers, and there has recently been an exchange of letters between Nixon and Mao which have not been released to the press.

This Nixon-Kissinger courtship with Moscow and Peking may go on indefinitely—or at least until the U.S. makes damaging concessions to first one side and then the other. Kissinger is not the only one who can play the balance of power game.

How Much Trade?

Red Chinese traders have told American traders that informal trading will continue on the present basis but not on any grand scale until American military forces are removed from Asia.

With Red China's 750 million people it would seem that the market potential with the mainland would be enormous. But is it? 75% of these teeming millions are involved in farming. But even with all this manpower engaged in agriculture, Red China is not self-sufficient in foodstuffs. They buy vast quantities of wheat in the world market. Japan is by far the biggest supplier and buyer of Red China. And, of course, Japan can undersell us in the world market. But the Red Chinese can undersell the world in chrome, antimony, molybdenum, asbestos, uranium and other highly strategic materials in which the U.S. is in short supply.

If the U.S. taxpayers extend long-term credit to Red China, Nixon's business promoter friends can make a mint of money and Comrade Mao can augment his already-growing military power.

This spring the Senate voted to eliminate the ban on Export-Import Bank credits to Communist countries, but the House voted to reinstate the ban. Then the measure went to a joint Senate-House conference committee where the House conferees backed down under liberal pressure when Nixon announced that he was going to Peking.

The new Export-Import bill will expand the lending power of the Ex-Im Bank from \$13.5 billion to \$20 billion and will make this money available to Communist countries, including Red China. And it will remove the Bank from the expenditure and lending limitations in the Federal budget. The Red Chinese can buy U.S. commodities and pay for them with money borrowed from Export-Import Bank.

Then our stalwart American capitalist selling to the Communists will run no risk since they will be paid in cash from the Ex-Im Bank funds, and with a tax-exempt corporation charter approved by the Commerce Department under the China Trade Act of 1922, they can escape paying taxes on their Communist deals. And if the China Communists default on their loan, the Americans will pick up the tab. All the political liberals and the Wall Street financiers are in favor of extending Export-Import credits to all Communist countries.

The late Senator Everett Dirksen once eloquently declared: "Is trade so sweet and are profits so desirable as to be purchased at the price we now pay in death and agony?"

Red China's Needs

The Red Chinese are likely to buy in the U.S. on a larger scale, what they have been trying to buy from Canada, Sweden, France and England and other advanced countries:

1. They will buy a few samples of very advanced products — the newest

computers, the newest and most advanced machine-tools.

2. They will buy also obsolescent industrial machinery from American factories—the same as Stalin did from Henry Ford's production machinery for the Model A.

3. They will also buy the raw materials to go along with the machinery. For instance, together with spinning and weaving equipment, they will buy cotton. An then they ship back to us the fabricated products and undersell our already depressed textile products.

4. The hottest, fastest selling commodity in this trade will likely be earth-moving machinery. China has two long-standing projects of great national and international importance, the execution of which has been waiting for modern earth-moving machinery which the U.S. can supply, namely:

(a) A TVA-type project for the 3000-mile long Yellow River (Huang Ho). This project, providing a minimum of 60,000 megawatts of electric power and reclaiming for cultivation enough land to feed 200 to 300 million people, would also end the periodic nightmare of floods which yearly desolate settlements along the Huang Ho which have earned that river the name of "China's Sorrow."

(b) A water-power project on the Northwest bend of Tsangpo River in Tibet just north of East Pakistan. Tsangpo, which is called Bramaputra further downstream, drops almost two miles around that bend. A project outlined by Austrian and Swedish engineers establishes that, by digging a long tunnel, it is possible to install a hydroelectric plant with a capacity of 150,000 megawatts. That would be roughly equivalent to one half of all the installed electric power capacity of the United States, and more than all the installed electric power of the Soviet Union.

The two projects—Yellow River and Tsangpo—would provide China with the physical basis to become the No. 2 industrial power in the world.